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# NOTES

## WASHINGTON NOTES

CHANGE IN LEGISLATIVE PROSPECTS

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As a result of the election of November 8, a complete rearrangement of plans for economic legislation during the current, and the two coming, winters has been necessitated. The program of President Taft, announced some time ago and embodied in his messages at the opening of the 1909-10 session of Congress, include an extensive and ambitious series of proposals, notable among which was the scheme for federal incorporation and for revision of the anti-trust law, as well as the plans for railroad legislation, for conservation of natural resources, and the like. Only very minor progress was made with these bills during the last session of Congress, and the election of a large Democratic majority to the House of Representatives which will meet in December, 1911, means that little or nothing can be expected by the executive, after this winter, from any project which involves a contested, or distinctly political issue. In consequence, any anticipation of securing further railroad legislation, federal incorporation, or any of the special projects which the President had framed has necessarily been abandoned. In the shift of party control, the principal subject which has survived the struggle is that of the tariff and of allied taxation. Experience under the Payne-Aldrich tariff law is showing that, even with the tariff in full operation, and with the corporation tax yielding its supposedly normal amount under the present rates, there is no possibility of meeting expenses so long as the latter continue on their present level. It is to be expected that very material reductions in outlay will be attempted by the Democratic House of Representatives, but the question of new revenue legislation cannot even in that case be evaded. It is now admittedly necessary to revise the tariff in accord with the pledges

that have been made by Democratic leaders during the past campaign and earlier. For these reasons tentative preparations are under way for drafting the new revenue legislation. A curtailment of duties in most lines of merchandise, with heavy reductions in the overprotected classes—woolens and cottons, drugs, chemicals, etc.—and the elimination of the frauds and irregularities of the tariff, are constituent elements in the plan as now formulated. At the same time, the growth of an ultra-protective spirit in the southern states renders difficult the problem that presents itself to the Democratic leaders. Admittedly, it will not be possible for the Democratic party to attempt anything approximating to a free-trade, or even “tariff for revenue,” policy. About the best that can be hoped for is the elimination of special and glaring dishonesties in the schedules. Meantime, the actual plans for the coming winter have of necessity been greatly narrowed in scope. There is little time for general legislation at a short session of Congress, and an immense number of private and semi-personal matters call for attention when a party is about to be superseded.

An investigation of the capitalization of railroads has been begun by the Interstate Commerce Commission through the medium of a circular addressed to all railroads early in November under date of October 31. This circular, although nominally a call for statistical information authorized as a feature of the proceedings in the pending railroad-rate cases (dockets Nos. 3400 and 3500), is actually very much more inclusive than the technical requirements of those cases would call for. It makes demand for elaborate data with respect to the physical equipment of railroads and the amount of actual betterments that have been put into the work of construction in the various departments during specified years. After covering all of this branch of the subject in very great detail, the schedule goes on to make request for a more inclusive set of facts regarding capitalization than has heretofore been called for by the government. The roads are asked to state the amount and character of their outstanding securities, the conditions under which each class of securities was issued, the amount and kind of return obtained for such securities, whether in property, franchises, services, or equipment, the rates at which securities were issued and placed on the market, the character of the liens outstanding against each of the roads, and a variety of other detailed informa-

tion. Statements are made to the effect that this material will be considered by the Interstate Commerce Commission in determining the railroad-rate cases, with a special view to ascertaining the justice of the claim that rates must be advanced because their present level will not permit the payment of dividends upon outstanding obligations. It is, however, well recognized that the main use to be made of this information will be found in connection with the work of the Capitalization Commission lately appointed and organized. In a communication sent to this commission on November 10, the Interstate Commission itself practically admits that it has not sufficient information about capitalization now at hand, and the call for compiled facts just made will in part remedy this lack of data. Meanwhile, grave doubt has arisen with reference to the power of either of these commissions to impose so heavy a burden upon the railroads as is implied in the preparation of these elaborate statistics. Much of the material is, or ought to be, found in the voluminous reports heretofore furnished to the Interstate Commission by the roads, and some of the more recent elements in the information have been covered in reports made to the Postmaster-General and bearing on the subject of railway-mail pay. The gathering of the information is burdensome, and the situation has called attention to the very severe demands of similar kinds that are being made upon all classes of business at the present time. Within the past few years, there have been calls for statistics and other information practically duplicating one another many times over. The cost and annoyance involved in complying with such government requests have irritated many private concerns to the point of refusing, save in so far as actually compelled by law, to comply with the drafts thus made upon them. With reference to the Capitalization Commission particularly, the point is being enforced that no authority resides in that body to make any demands whatever upon the roads or any other private concerns.

Under the new organization of the postal-savings system which is shortly to go into operation, factors will be brought into the present Treasury problem that may materially relieve the difficulties under which Secretary McVeagh has been struggling. For several months past, the Department has been upon the point of having to resort to a large bond issue in order to meet expenses.

The working balance had reached a very low level last June when conditions were improved by the receipt of corporation-tax funds to the amount of \$27,000,000. Although a decision on the part of the Supreme Court (which many believed would be adverse) had been expected in the corporation-tax cases, this was deferred by the necessary action of the court in ordering a rehearing before a full bench of judges, so that the Department was left in enjoyment of the money for the time at least. Later, when the working balance had been cut down in July and August through the heavy payments on appropriations at the beginning of the new fiscal year, the tobacco taxes provided for in the Payne-Aldrich law began to yield a tolerably abundant revenue and the situation was again temporarily saved. It is now found that under the terms of the postal-savings act (sec. 10) the Secretary of the Treasury may in substance use postal-savings receipts for any purposes for which bonds have already been authorized. Preference is, however, to be given to called bonds or bonds subject to call in thus supplying the funds. About \$63,000,000 of such bonds are now outstanding, while the Panama Canal account is in debt to the fiscal side of the Treasury to the extent of about \$125,000,000. This, then, is interpreted to mean that after \$63,000,000 of postal savings have been used to take up the old bonds already outstanding, new bonds being issued to an equal amount to postal-savings investors or being taken up by the postal-savings trustees, the department may begin to draw upon postal savings for its own uses, paying such savings into the general fund and at the same time reducing the amount of indebtedness on the Panama Canal account to the general fund. If this process can be brought into operation sufficiently early, it may save the Treasury the necessity of attempting to float a block of bonds upon the market under the difficult conditions which have been imposed by Senator Aldrich's refusal to modify the provisions of the present circulation tax on national banknotes. Secretary McVeagh does not feel that these bonds can be successfully issued at less than 3 per cent., but he would be hampered were he to attempt to put them out at that rate, if the conditions surrounding the circulation tax were such as to make these bonds a preferred issue, thereby depressing the old twos on the market. Senator Aldrich has advocated the issue of the bonds at not over  $2\frac{1}{2}$  per cent., and the question has been how long the Treasury could hold out without finding itself

compelled to force the question to an issue in Congress. The hope that postal-savings receipts may thus give the Department additional strategic strength may be frustrated by the slowness of the postal-savings system in going into operation. It is not likely that the offices can be opened before January 1 and then probably in less than fifty cities. How long it will take to obtain \$63,000,000 in actual deposits for which the depositors are willing to receive government bonds or which may be invested by the trustees in called bonds or bonds subject to call is an open question. Meanwhile, the manifest demand of the situation still is that Congress should legislate with reference to the circulation tax, along the lines recommended by the Secretary of the Treasury.

Under date of April 28, 1909, the Comptroller of the Currency obtained for the use of the National Monetary Commission reports of condition from all national banks, and also from 15,598 banks incorporated and operating under the laws of the various states, including private banks and bankers. This was the first time

Items	1909 22,491 Banks	1910 23,093 Banks	Increase 602 Banks
Loans and discounts.....	11,373.2	12,365.0	991.8
United States and other bonds, securities, etc.....	4,614.4	4,854.4	240.0
Cash in bank.....	1,452.0	1,420.8	31.2*
Capital stock.....	1,800.0	1,879.9	79.9
Surplus and other profits.....	1,834.6	1,952.4	117.8
Individual deposits.....	14,035.5	15,283.4	1,247.9
Total assets.....	21,095.0	22,450.0	1,355.0

\* Decrease.

during the existence of the national banking system that uniform reports from practically all banks in the country were secured for the same date, and the statistics so obtained are regarded as of great value by bankers and all others interested in banking and in contemplated legislation affecting the laws relating to banking and currency. With a view to supplementing and continuing the statistics in question, the Comptroller called for corresponding reports from the banks of the country for June 30, 1910. In this work the Comptroller received very general co-operation from the superintendents of state banking departments, although in some states it was found necessary to secure reports direct from banks. In the above table are shown, in millions of dollars, the principal

items of assets and liabilities of all reporting banks on April 28, 1909, and June 30, 1910, with the amount of changes between those dates.

The following is a comparative statement, in millions of dollars, relating to the principal items of assets and liabilities of banks other than national for 1909 and 1910.

Items	1909 15,598 Banks	1910 15,948 Banks	Increase 350 Banks
Loans and discounts.....	6,385.5	6,934.8	549.3
Bonds.....	3,009.4	3,242.4	232.9
Cash.....	525.2	558.3	33.1
Capital stock.....	866.0	890.3	24.3
Surplus and other profits.....	1,039.5	1,001.0	51.5
Individual deposits.....	9,209.4	9,996.1	786.7
Total assets.....	11,726.1	12,553.6	727.5

The action of the administration in determining to retire greenbacks of denominations above twenty dollars and to reissue them in denominations of one dollar practically marks the end of an epoch in the silver policy of the United States. This determination, made known on November 2, has been reached because of the lack of small silver certificates to meet the fall demands for currency. Heretofore the policy has been to convert silver certificates, so far as possible, into small denominations, the large denominations being reserved primarily for gold certificates and the intermediate denominations being largely shared by greenbacks and national banknotes. About \$75,000,000 of greenbacks in denominations of \$20 and over have been outstanding, and it is now estimated that probably \$27,000,000 of this sum can be used in \$1 notes and can be forced into circulation before the end of the current crop-moving season. The action taken is considered to indicate that the circulation needs of the country have now practically absorbed the old silver stock both of free dollars and certificates. Administrators have felt that it would be wise to have the large greenbacks converted and absorbed in the same way. These greenbacks have tended within the past two or three years to accumulate in the general fund of the treasury. It is now sought to prevent that tendency from making itself felt in the future. Severe criticism has, however, been visited upon the action of the Secretary of the Treasury because of the fact that the new policy will undoubtedly tend to make the greenbacks a more nearly permanent element

in the currency system by in some measure removing the menace to current solvency they have offered.

Important developments in the work of the Tariff Board have occurred during the past month. The Board had already formulated a schedule for the investigation of cost of production of drugs and chemicals. It now proposes a similar inquiry regarding wood pulp and print paper and raw wool. The further prosecution of the drug and chemical inquiry has been suspended in consequence of the practical opposition of the organized manufacturers of the industry who have proved unwilling to aid the board to the extent that they had previously agreed. This leaves the Board with two active inquiries in progress—pulp and paper and wool—in both of which field agents have been set at work. The raw-wool schedule has been prepared by an agricultural expert and provides probably the most minute and detailed analysis of the cost of producing wool that has ever been supplied through our governmental agencies. Returns will now be asked for from all those farmers who are primarily engaged in raising flocks of fine-wool bearing sheep, the assumption being that such protection as is required in this specialized industry will be more than ample to safeguard the interests of those growers whose wool is a by-product while their chief concern is the raising of mutton. In the pulp and paper inquiry a schedule practically corresponding to the accounting outline employed by the International Paper Company for the analysis of costs of production has been placed in the hands of agents; and the latter have been sent into the twenty-six plants of the International to study detailed costs of converting pulp into common print paper. Meanwhile, water power and wood resources are being studied in Canada by a separate force in order, if possible, to ascertain the actual foreign cost of raw material. Similar studies will shortly be made in Europe.

A beginning has been made in reciprocity negotiations with Canada by sending to Ottawa on November 2 two delegates representing the United States, who spent a week in discussing with representatives of the Canadian government the terms upon which a commercial treaty might be negotiated between the two countries. The conference terminated on November 9 with an appointment for another meeting in Washington during January. No official



statement has been made from the American side of the results of the conference but authentic announcements from Ottawa have made it known that the negotiations established the absolute unwillingness of Canada to consent to any treaty that would interfere with the manufacture of raw products within her limits. In view of Canada's recent high protective policy, this practically means that little or nothing is now likely to be done with reference to better terms for American manufacturers in Canada. With the field practically limited to the natural products of the two countries as a basis for negotiations, it appears extremely doubtful whether anything of first-class value can result from further discussion, although reciprocity in natural products, if complete, would be beneficial to restricted areas on either side of the frontier. The delay in coming to any definite understanding will probably necessitate the postponement of action by the administration designed to force a treaty through Congress until next winter. It may or may not then prove practicable to get action from a hostile majority in the legislative body.